**Question 1:**

As the new CEO of World Corp., you are faced with two issues.

One is that a main part of your business is in England and in Euros. You have some concerns over Brexit and the potential ouster of Theresa May as Prime Minister of England.

The second is that the company’s balance sheet is highly leveraged with a debt/equity ratio of 0.60 with total equity of $ 20,000,000. Most of the debt comes due in the next year and the Price/Earnings ratio of the company’s common stock, which is listed on the NASDAQ is 50 while the average P/E ratio of the NASDAQ is 40.

How should you react if you are concerned that Theresa May will be ousted and England will have a year to two years of economic instability and, at the same time, U.S. domestic interest rates may go up 3% due to Fed action and that the stock market could react negatively to all of this. ???

**Question 2:**

Suppose the RNG Corporation has decided in favor of a capital restructuring that involves increasing its existing equity from $50 million to $ 100 million. The company’s current EPS (Earnings Per Share) is $ 2 and the shares trade at 50. If GNR wants the restructuring to increase its ROE (Return on Equity), but would except the same ROE as before the restructuring, what is the minimum level for EBIT that GNR's management must be expecting? Assume the company has no debt and its tax rate is 50%.

 **Extra credit**

What is the difference between accretion and discounting and where is it most applicable ?